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**CADDO PARISH COMMUNICATIONS
DISTRICT NUMBER ONE**
Shreveport, Louisiana

Annual Financial Report

Year ended December 31, 1998

(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-14-99



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

Independent Auditors' Report

To the Members of the
Board of Commissioners
Caddo Parish Communications
District Number One:

We have audited the accompanying financial statements of the Caddo Parish Communications District Number One (the "District"), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 1998. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 13 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 1999 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

KPMG LLP

May 7, 1999



CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Combined Balance Sheet - General Fund and Account Groups

December 31, 1998
(with comparative totals for December 31, 1997)

Assets	<u>General Fund</u>	<u>General Fixed Assets Account Group</u>	<u>General Long-Term Debt Account Group</u>	<u>Totals (Memorandum Only) 1998 1997</u>	
Cash and cash equivalents (note 2)	\$ 7,581,374	-	-	7,581,374	2,464,540
Accounts receivable	271,710	-	-	271,710	417,911
Fixed assets (note 3)	-	8,202,535	-	8,202,535	6,541,862
Amount to be provided for retirement of long-term debt	-	-	7,855,000	7,855,000	1,585,000
Total assets	<u>\$ 7,853,084</u>	<u>8,202,535</u>	<u>7,855,000</u>	<u>23,910,619</u>	<u>11,009,313</u>
Liabilities and Fund Equity and Other Credits					
Liabilities:					
Accounts payable	\$ 90,625	-	-	90,625	132,944
Retainage payable	153,905	-	-	153,905	97,768
Certificates of indebtedness (note 4)	-	-	7,855,000	7,855,000	1,585,000
Total liabilities	<u>244,530</u>	<u>-</u>	<u>7,855,000</u>	<u>8,099,530</u>	<u>1,815,712</u>
Fund equity and other credits:					
Investment in general fixed assets	-	8,202,535	-	8,202,535	6,541,862
Fund balance - unreserved - undesignated	<u>7,608,554</u>	<u>-</u>	<u>-</u>	<u>7,608,554</u>	<u>2,651,739</u>
Total fund equity and other credits	<u>7,608,554</u>	<u>8,202,535</u>	<u>-</u>	<u>15,811,089</u>	<u>9,193,601</u>
Commitments (note 7)					
Total liabilities, fund equity, and other credits	<u>\$ 7,853,084</u>	<u>8,202,535</u>	<u>7,855,000</u>	<u>23,910,619</u>	<u>11,009,313</u>

See accompanying notes to financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended December 31, 1998
(with comparative totals for the year ended December 31, 1997)

	1998	1997
Revenues:		
Telephone tariffs	\$ 2,443,693	2,069,328
Miscellaneous	8,534	8,312
Total revenues	2,452,227	2,077,640
Expenditures:		
Current:		
Personal services	390,603	216,729
Materials and supplies	33,308	20,799
Contracted services (note 5)	944,616	822,376
Capital outlay:		
Facility expansion	590,795	2,046,621
System enhancements	1,763,677	1,062,626
Debt Service:		
Principal	530,000	50,000
Interest, fees and charges	337,304	89,879
Total expenditures	4,590,303	4,309,030
Excess of expenditures over revenues	(2,138,076)	(2,231,390)
Other financing sources:		
Interest income	294,891	171,281
Proceeds of certificates of indebtedness	6,800,000	635,000
Total other financing sources	7,094,891	806,281
Excess of revenues and other financing sources over expenditures (expenditures over revenues and other financing sources)	4,956,815	(1,425,109)
Fund balance at beginning of year	2,651,739	4,076,848
Fund balance at end of year	\$ 7,608,554	2,651,739

See accompanying notes to financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual

Year ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Telephone tariffs	\$ 2,443,412	2,443,693	281
Miscellaneous	8,534	8,534	-
Total revenues	<u>2,451,946</u>	<u>2,452,227</u>	<u>281</u>
Expenditures:			
Current:			
Personal services	400,805	390,603	10,202
Materials and supplies	38,500	33,308	5,192
Contracted services	998,481	944,616	53,865
Capital outlay - system enhancements	2,897,270	2,354,472	542,798
Debt service (principal, interest, fees and charges)	863,083	867,304	(4,221)
Total expenditures	<u>5,198,139</u>	<u>4,590,303</u>	<u>607,836</u>
Excess of expenditures over revenues	<u>(2,746,193)</u>	<u>(2,138,076)</u>	<u>608,117</u>
Other financing sources:			
Interest income	300,381	294,891	(5,490)
Proceeds of certificates of indebtedness	6,800,000	6,800,000	-
Total other financing sources	<u>7,100,381</u>	<u>7,094,891</u>	<u>(5,490)</u>
Excess of revenues and other financing sources over expenditures	4,354,188	4,956,815	602,627
Fund balance at beginning of year	<u>2,651,739</u>	<u>2,651,739</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,005,927</u>	<u>7,608,554</u>	<u>602,627</u>

See accompanying notes to financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

(1) Summary of Significant Accounting Policies

The Caddo Parish Communications District Number One (the "District") was created by the Caddo Parish Commission (the "Commission") by ordinance on September 25, 1985, as provided under the Louisiana Revised Statute 33:9103. The District is comprised of property within the Parish of Caddo and is governed by a Board of Commissioners. The purpose of the District is to provide a primary three-digit emergency telephone number (911) and related support system for Caddo Parish.

Reporting Entity

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

Five members of the Board of Commissioners are chosen by the City of Shreveport and two are chosen by the Commission. The Commission, however, must approve all city appointments. The District constitutes a political subdivision of the State of Louisiana and is a component unit of the Commission.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting policies:

(a) *Basis of Presentation - Fund Accounting*

The District's operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the combined financial statement line items of the General Fund, General Fixed Asset Account Group and General Long-Term Debt Account Group and are presented for analytical purposes only. The summation includes fund types and account groups that use different basis of accounting. Therefore, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the District.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

The following fund types and account groups are utilized:

Governmental Funds

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. All governmental funds are accounted for on a spending measurement focus where the focus is upon determination of changes in financial position rather than upon net income determination.

The General Fund is the principal fund of the District and is used to account for all the activities of the District.

Account Groups

An account group is used to establish accounting control and accountability for the District's general fixed assets and general long-term obligations. The General Fixed Assets Account Group is established to account for all fixed assets of the District. The General Long-Term Debt Account Group is established to account for all long-term obligations of the District.

(b) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Telephone tariff revenues and investment earnings are recorded as earned, since they are measurable and available. Expenditures are recognized when the related fund liability is incurred.

(c) Budgetary Data

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

- (1) The budget sub-committee prepares a proposed budget and submits it to the Board of Commissioners. At the same time, a public hearing is called.
- (2) A public hearing is held on the proposed budget.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

- (3) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution at least fifteen days prior to the commencement of the fiscal year for which the budget is being adopted.
- (4) The budget document is structured such that revenues are budgeted by source and appropriations are budgeted by function and by object. District policy provides that expenditures may not legally exceed appropriations on a functional basis. Budgetary amendments require approval of the Board of Commissioners. Three budget revisions were made during the year ended December 31, 1998.
- (5) All budgetary appropriations lapse at the end of each fiscal year.
- (6) The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for the fund.

(d) Telephone Tariffs

The District's primary revenue source is the telephone tariff collected by two area telephone companies. These tariffs are charged on the customer's monthly telephone bills. Effective September 1996, the voters approved rates for residential and commercial line customers of \$1.00 and \$2.00, respectively.

In addition, the District collects telephone tariff revenues for cellular phones. In September 1996, the voters approved two propositions that (1) gave the District the authority to use such revenues for communications enhancement, (2) clarified the District's authority to collect such charges, and (3) converted the tariff to a flat rate and increased the tariff. The cellular telephone tariff rate increased from \$.40 to \$1.00 effective July 1, 1997. Revenue is recorded as it is earned.

(e) Encumbrances

Encumbrance accounting is employed as an extension of the formal budgetary process in the General Fund. Under this process, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances do not constitute expenditures or liabilities. Any encumbrances outstanding at year end are reported as reservations of fund balances since the commitment will be honored through subsequent years' budget appropriations. There were no encumbrances outstanding at December 31, 1998.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

(f) Investments

Investments in money market investments, consisting of money market funds and U.S. agency obligations with a maturity of one year or less at the time of purchase, are reported at cost and classified as cash and cash equivalents. State statutes generally authorize the District to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies' (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission.

(g) Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with the District are determined by the fund's measurement focus. The General Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, the General Fund is said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Such assets are valued at historical cost, if purchased, and at fair market value at date of gift, if donated. No depreciation has been provided for assets accounted for in the General Fixed Assets Account Group.

(h) Use of Estimates

Management of the District has made a number of estimates and assumptions relating to the assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(i) Comparative Total Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data (i.e., presentation of prior year's totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

(2) Cash and Investments

Deposits

At December 31, 1998, the carrying value of the District's deposits was \$534,429, and the bank balance was \$849,736. This difference is due to the outstanding checks at December 31, 1998. At December 31, 1998, the District's deposits were entirely insured by federal depository insurance or collateralized with securities held in the District's name by a bank other than the pledging bank.

Investments

The District's investments at year end are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. Investments in mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

		Category			
	1	2	3	Cost	
U.S. agency obligations	\$ 7,026,974	-	-	\$ 7,026,974	
Money market funds				19,971	
Total investments				7,046,945	
Deposits				534,429	
Total cash and cash equivalents				\$ 7,581,374	

(3) Changes in General Fixed Assets

The changes in general fixed assets are as follows:

	Balance January 1, 1998	Additions	Deductions	Balance December 31, 1998
Land	\$ 442,173	-	-	442,173
Building	1,472,691	-	13,243	1,459,448
Equipment	2,554,783	1,771,068	535,815	3,790,036
Construction in progress	2,072,215	438,663	-	2,510,878
	\$ 6,541,862	2,209,731	549,058	8,202,535

See footnote 7 for a description of the construction in progress and the related commitments for additional system upgrades.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

(4) Long-Term Debt

Long-term debt at December 31, 1998, was as follows:

\$1,000,000 Certificates of Indebtedness, Series 1996, due in annual installments of \$50,000 to \$90,000 through December 1, 2011, interest at 4.7% to 5.2%.	\$ 900,000
\$635,000 Certificates of Indebtedness, Series 1997, due in annual installments of \$30,000 to \$65,000 through December 1, 2011, interest at 5.0% to 5.95%.	605,000
\$6,800,000 Certificates of Indebtedness, Series 1998, due in annual installments of \$360,000 - \$645,000 through December 1, 2011, interest at 4.55% to 6.0%.	<u>6,350,000</u>
	<u>\$ 7,855,000</u>

A summary of changes in general long-term obligation follows:

	Balance December 31, 1997	Additions	Retirements and Payments	Balance December 31, 1998
Certificates of Indebtedness - 1996	950,000	-	50,000	900,000
Certificate of Indebtedness - 1997	\$ 635,000	-	30,000	605,000
Certificate of Indebtedness - 1998	-	6,800,000	450,000	6,350,000
	\$ <u>1,585,000</u>	<u>6,800,000</u>	<u>530,000</u>	<u>7,855,000</u>

The 1998 Certificates of Indebtedness were issued to provide funding for the planned implementation of a new radio system.

There are a number of limitations and restrictions contained in the Certificates of Indebtedness. The District is in substantial compliance with all significant limitations and restrictions. The Certificates are secured by and payable solely from a pledge of the excess of annual revenues.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

The annual requirements to amortize long-term debt as of December 31, 1998, including interest payments of \$3,067,463, are as follows:

Years Ending December 31	Long-term Debt
1999	\$ 843,606
2000	842,821
2001	835,624
2002	837,329
2003	830,446
2004-2008	3,364,238
2009-2013	3,368,399
	\$ 10,922,463

(5) Contracted Services

Contracted services include payments for outside services such as telephone, equipment and property maintenance, utilities, payments to the City of Shreveport, and professional services. Payments to the City of Shreveport were to reimburse the Shreveport Fire Department for the costs associated with providing centralized dispatching for the Caddo Parish Fire Districts. A summary of contracted services at December 31, 1998, is as follows:

Telephone	\$ 507,924
Payments to the City of Shreveport	174,609
Equipment and property maintenance	96,752
Professional services	28,059
Utilities	54,380
Other	82,892
	\$ 944,616

(6) Defined Benefit Pension Plan

All employees of the District are members of City of Shreveport Employees' Retirement System (City Plan). The City Plan is a cost-sharing multiple employer defined benefit plan which is administered by the City of Shreveport, which approved the enrollment of District employees. Enrollment is mandatory for full-time permanent employees. Benefit provisions are established and may be amended by City ordinance. The City of Shreveport issues a publicly available financial report that includes financial statements and required supplementary information of the City Plan. That report may be obtained by writing the City of Shreveport, 1234 Texas Avenue, Shreveport, Louisiana 71101.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Notes to Financial Statements

December 31, 1998

Funding Policy - Covered employees are required to contribute 9% of their salary to the City Plan. The District is required to contribute 9.15% of covered employees' salaries through 1998. The employer and employee contribution obligations are established and may be amended by City ordinance.

The District's contributions for the years ending December 31, 1998, 1997, and 1996, were \$19,621, \$15,019 and \$9,544, respectively, equal to the required contribution for each year.

(7) Commitments

Construction in progress at December 31, 1998, consisted largely of one project for the expansion of the District's Communication Center. The project is expected to cost approximately \$2,461,923. At December 31, 1998, \$153,905 remains on the contract.

In 1996, the District entered into a contract to purchase a fully operational Data Communications System for an integrated public safety data communications system which consists of a parishwide Computer Assisted Dispatch, Records Management System, a Tactical Map Display System, and communications console furniture. The contract price is approximately \$2,500,000. At December 31, 1998, \$500,316 remains on the contract.

SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
Shreveport, Louisiana

Required Supplementary Information

Year 2000 Disclosures
(Unaudited)

The District is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs may fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the Year 2000 issue could affect electronic equipment containing computer chips that have date recognition features.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations. The District has identified telephony and computer aided dispatch (CAD) as mission critical systems.

The District has completed the awareness and assessment stage of work with respect to its mission critical systems whereby a plan has been established for dealing with these issues and systems have been identified which are in need of year 2000 compliance work. The District is currently within the validation/testing stage, during which the District validates and tests the changes made during the conversion process. The costs associated with these changes are being funded on a pay-as-you-go basis. As of December 31, 1998, the District had no significant amount of resources committed. The validation and testing phase of the work is targeted to be completed by the third quarter of 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board of Commissioners
Caddo Parish Communications District Number One:

We have audited the financial statements of Caddo Parish Communications District Number One (the "District"), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Board of Commissioners, management and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 7, 1999

